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INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE IMMEDIATE
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RUEKJCS/JOINT STAFF WASHDC IMMEDIATE
RUEHGV/USMISSION GENEVA IMMEDIATE 1640
RUEHVEN/USMISSION USOSCE IMMEDIATE 3698
RUCNDT/USMISSION USUN NEW YORK IMMEDIATE 3091
RUEHNO/USMISSION USNATO BRUSSELS BE IMMEDIATE
RUEHBS/USEU BRUSSELS IMMEDIATE
RUMICEA/USCENTCOM INTEL CEN MACDILL AFB FL IMMEDIATE

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SUBJECT: POVERTY IN KYRGYZSTAN A MIXED PICTURE

REF: BISHKEK 007

¶1. (SBU) Summary: High poverty rates remain a problem in Kyrgyzstan, especially in rural areas. In 2008 about a third of the population was under the official poverty line. The poverty rate fell significantly over the past few years, due in large part to growing remittances from Kyrgyz workers abroad. In 2009, however, the amount of remittances fell by approximately 20 percent due to the global economic crisis. For the poorest Kyrgyz, food affordability remains a concern.

A good harvest last year improved the food situation, but a portion of the population remains vulnerable to economic shocks or poor harvests. End summary.

Poverty Rate High, But Falling

¶2. (U) The number of people in Kyrgyzstan living under the poverty line has fallen significantly over the past few years. According to Kyrgyz Government statistics, the total percentage of the population under the poverty line fell from 63 percent in 2000 to 32 percent in 2008. The rate of extreme poverty fell from 33 percent of the population in 2000 to six percent in 2008. The poverty line is calculated as the minimal amount of money needed to meet basic consumption needs, while the extreme poverty line is defined as the amount of money needed to meet basic food needs.

¶3. (U) The decrease in poverty was widespread, with all regions of the country experiencing a decrease in both poverty and extreme poverty between 2000 and 2008. Poverty also decreased at a relatively equal rate in both rural and urban areas. The poverty rate has been consistently higher in rural areas compared to urban areas. In 2008, the poverty rate in rural areas was 37 percent versus 23 percent in urban areas.

¶4. (U) A World Bank analysis of poverty data through 2007 concluded that the direct and indirect impact of increased remittances was the primary cause of reduced poverty rates since 2000. Remittances from Kyrgyz working abroad, primarily in Russia and Kazakhstan increased dramatically; from about \$150 million in 2003 to \$1.1 billion in 2008. The actual figure is probably even higher, since these

statistics likely miss some remittances that flow through informal channels. Those who received remittances spent most of their additional money on personal consumption and construction, increasing the incomes of those working in the service and construction sectors.

Lower Remittances - How Much Of A Hit?

¶5. (SBU) The world economic crisis, and falling remittances to families in Kyrgyzstan, has impacted Kyrgyzstan's poverty rate. According to the Kyrgyz Ministry of Labor, Employment and Migration, remittances fell by about \$220 million in 2009 compared to 2008, to \$980 million. While there is no poverty data available yet for 2009, some data indicates that households have felt the economic impact and cut their discretionary spending. During the first ten months of 2009 imports fell by 26 percent compared to 2008. Anecdotal information from conversations with businesses also indicate that sales of consumer goods fell significantly in 2009.

Food Affordability - Better But Still A Concern

¶6. (U) The decline in poverty rates from 2000 to 2008 also led to an improvement in the caloric intake of the population. The percent of the population consuming less than 2,100 calories per day fell from 61 percent in 2000 to 49 percent in 2007. A closer look at the latest available nutritional data from the first nine months of 2008 shows that all but a small portion of the population consumed close

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to 2,100 calories/day. Although caloric consumption appears to be relatively high for most, malnutrition is still a concern. Only the wealthiest 20 percent of the population consumed the recommended amount of protein and fat. This leads to seeming contradictions in nutritional outcomes. For example, according to a 2008 World Food Program study, the percentage of children under 5 years old who are underweight was only 2.4 percent, while 30 percent of children under 5 suffered from stunted growth.

¶7. (SBU) As in many countries at the time, food prices in Kyrgyzstan rose steeply in 2007-2008 due to the world-wide increase in food prices and a poor harvest in 2007. The World Food Program estimated in 2008 that 34 of the population was at risk of not being able to afford food, a figure that closely matched the 32 percent of the population living under the poverty rate. In 2009, a good harvest lowered the prices for many food products and appears to have lessened the immediate risk of food insecurity. However, many Kyrgyz households remain vulnerable in the event of future economic shocks or poor harvests.

Government Boosts Aid, Hikes Energy Costs

¶8. (U) The Government of Kyrgyzstan provides direct assistance to the poorest households. In 2009, the Kyrgyz Government provided social benefits to 422,000 residents, out of a total population of about five million. The majority of recipients, 362,000, received a welfare payment due to their low income, while the remaining recipients had a special need, such as disability. While the average payments are low, only about five dollars a month, they are an important income supplement for the poorest Kyrgyz.

¶9. (SBU) The Government's decision to double electricity prices starting January 1 of this year (reftel) will be especially difficult for the poorest households who already spend a large portion of their income on food and energy. The Government has decided to increase the amount it pays in social benefits to help lessen the impact of the higher energy costs. Still, increased social benefits will have a limited impact on the poor's ability to cope with higher

electricity rates.

Crisis Weathered?

¶10. (SBU) It is likely that Kyrgyzstan's progress on poverty reduction stalled in 2009, though definitive data is not yet available. The country appears to have weathered the economic shocks of the past couple years, including higher food prices, decreasing remittances and slower economic growth, without major social implications. However, poverty rates remain high and the economy vulnerable to external shocks. Kyrgyzstan's ability to advance in 2010 depends in part upon the economic recovery of other countries in the region, especially Russia and Kazakhstan.
GFOELLER

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